

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6582

BILL NUMBER: HB 1351

NOTE PREPARED: Jan 8, 2012

BILL AMENDED:

SUBJECT: Collection of Medicaid Spend Down.

FIRST AUTHOR: Rep. Bacon

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill allows a provider to collect a Medicaid spend down balance from a Medicaid recipient at the time services are rendered. The bill requires the provider to report the amount of the spend down collected.

Effective Date: July 1, 2012.

Explanation of State Expenditures: *Administrative Expenses:* The Office of Medicaid Policy and Planning (OMPP) has reported estimated administrative costs of changing the spend-down process to allow for point-of-service collections would include implementation costs of \$280,000 for systems and communications changes and ongoing staffing costs of \$100,000. Administrative expenses are reimbursed by a 50% federal match, so implementation would require \$140,000 in state General Funds and \$50,000 in ongoing state funds to operate the program. Depending on administrative actions, the ongoing staffing costs may not be necessary after January 1, 2014.

Additional Information: SEA 461-2011 authorized OMPP to request federal approval to change how the state determines Medicaid eligibility for the aged, blind, and disabled (209(b) status). Changing the state's 209(b) status would effectively eliminate the spend-down requirement. Should OMPP decide that it is financially advantageous to change this status upon the implementation of federal healthcare reform on January 1, 2014, the spend-down would be discontinued for Medicaid eligibles.

Background on Spend-Down: States that elected 209(b) status were required to implement a program for the medically needy to allow individuals who are otherwise eligible, to spend down excess income to become eligible for Medicaid. Spend-down allows the elderly or persons receiving SSI whose income exceeds the Medicaid financial eligibility standard to receive some Medicaid assistance. The amount that income exceeds the eligibility standard is the amount of the spend-down required before the applicant becomes eligible for Medicaid each month. The 2011 eligibility standard is \$674 per month for a single applicant and \$1,011 per month for a couple. Obligations incurred (but not necessarily paid) must be for medical expenses that are not subject to or paid by insurance, although payments made by state or local programs will count toward an applicant's monthly spend-down obligation. Once the spend-down obligation is met for the month, Medicaid reimburses for any other covered services incurred in that month.

Medicaid is jointly funded by the state and federal governments. The effective state share of program expenditures is approximately 33% for most services. Medicaid medical services are matched by the effective federal match rate (FMAP) in Indiana at approximately 67%. Certain family planning services and supplies are matched with 90% federal funding. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: OMPP, DFR, FSSA.

Local Agencies Affected:

Information Sources: OMPP, FSSA; Select Joint Commission on Medicaid Oversight Meeting Minutes of October 11, 2011, @ <http://www.in.gov/legislative/interim/committee/jcmo.html>

Fiscal Analyst: Kathy Norris, 317-234-1360.